



Jane Dee Hull, Governor

Mark W Killian, Director

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E-Mail Your Questions

If you have a question that you cannot find the answer to, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry. All inquiries will be responded to within two working days.

E-mail your question to:
TaxpayerAssistance@revenue.state.az.us

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

Reorganization Continues at The Department of Revenue

The reorganization of the Department, that started on July 1 of this year, continues. Mark Killian, Director of the Department of Revenue announced on November 15 that the Administrative Service and Process Management functions would be merged. A self-managed team of Administrators and Managers from within the new area will lead the new function, called Process Administration. The benefits of combining the functions are two-fold. First, this will create "cradle to grave" continuity in the processing function. This means that all documents and money will be processed within the same unit from the time the return or remittance is received until the money is sent to the bank and the form to the warehouse for storage. The same group will also do all of the accounting and data collecting. This will lead to better

communication, coordination, and efficiency in processing the millions of returns and payments received by the Department each year. The second benefit is that this will make implementation of the BRITS reengineering project much easier on the vendor and the employees in the functional area. Consolidating the two functions also recognizes the shift from payment by check to payment by EFT. Previous to the merger of the units, Process Management processed checks and EFT payments were handled in the Comptroller section of Administrative Services. Now, almost half of all of the dollars received are via EFT. The consolidation moves these two functions together so that no matter what method is chosen, the payment will be coordinated with processing. Removing barriers to related activities will start the agency on its road to an integrated tax system.

Alternative Fuel Vehicle Report for October, 2001

November 6, 2001
Pursuant to A.R.S. §§43-1086, 43-1086.01, 43-1086.02, 43-1174, 4-

1174.01 and 43-1174.02, credits are allowed for the following:

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*** REMINDER ***

FOR NON-EFT TPT FILERS

To avoid a delinquency, postmark your
December 2001 TPT return no later than
January 25, 2002 or deliver to DOR no later
than January 30, 2002.

September Summary of General Fund Revenues

	Fiscal Year	
	September 2001	Total
Individual Income Tax		
Net Collections	\$196,740,464	\$503,817,390
Percent Change *	(9.0%)	(2.4%)
Corporate Income Tax		
Net Collections	\$114,989,556	\$139,480,625
Percent Change *	(23.9%)	(21.9%)
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$243,614,473	\$740,344,189
Percent Change *	(0.2%)	0.2%
Total Big Three Tax Types		
Net Collections	\$555,344,493	\$1,383,642,204
Percent Change *	(9.2%)	(3.5%)

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax

Individual Income Tax Receipts

	August 2001	August 2000	%
Gross Collections	\$14,341,239	\$15,854,444	(9.5)
Withholding	201,423,533	192,705,500	4.5
Refunds	(19,291,600)	(21,018,789)	(8.2)
Urban Rev Sharing	(35,156,381)	(33,037,720)	6.4
Net Collections	\$161,316,791	\$154,503,435	4.4
	(01/02)	(00/01)	%
Gross Collections	\$24,075,498	\$25,424,051	(5.3)
Withholding	390,406,379	376,788,515	3.6
Refunds	(37,092,189)	(36,328,785)	2.1
Urban Rev Sharing	(70,312,762)	(66,075,440)	6.4
Net Collections	\$307,076,926	\$299,808,341	2.4

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. In September \$2,355,677 in alternative fuel vehicle credits were processed. After offsetting \$605,594 in tax liability, refunds for this credit totaled \$1,750,083. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle credit. Additional refunds were paid out of corporate income tax

TAX CALENDAR

JANUARY 2002

Due Date	For Period Ending
1	State Holiday - New Year's Day All State Offices Closed
15	Income Tax Returns: 9/30/01
	Form 120: Corporation
	Form 140: Individual
	Form 141: Fiduciary
	Form 165: Partnership
15	Form 120: Corporation with Automatic Extension 3/31/01
15	Form 120S: S Corporation 10/31/01
15	Form 99: Exempt Organization 8/31/01
	Annual Information Return
	Form 99T: Unrelated Business Income
15	Form 120ES: Estimated Tax Payment, Corporation
	First Installment 9/30/02
	Second Installment 7/31/02
	Third Installment 4/30/02
	Fourth Installment 1/31/02
21	State Holiday - Martin Luther King, Jr./Civil Rights Day - Offices Closed
22	Form TPT-1: Transaction Privilege Tax: December Monthly Filers, Quarterly and Annual Filers 12/31/01
22	Bingo: Financial Reports 12/31/01
22	Luxury Tax: Various Forms 12/31/01
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: December Monthly Filers, 12/31/01
31	Form A1-QRT: Withholding Tax 12/31/01

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from: **Tony Manzo** at (602) 542-4672.

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- The purchase or lease of an alternative fuel vehicle;
- The purchase and installation of a vehicle refueling apparatus;
- The construction or operation of an alternative fuel delivery system.

The taxpayer shall claim the credit with the filing of the Arizona income tax return. In accordance with S.B. 1004, Section 37(A), the Director of the Department of Revenue shall report the following amounts related to:

- The aggregate dollar amount of alternative fuel related credits claimed under sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and 43-1174.02, Arizona Revised Statutes, on income tax returns during the preceding calendar month.

For the period of October 1 through October 31, 2001, the department received 322 individual income tax returns with claims for alternative fuel related credits totaling \$6.9 million. A total of 5,137 individual income tax returns with claims have been received from January through October, totaling \$97.0 million in credit. The department also received 30 corporate income tax returns in October with claims for alternative fuel related credits totaling \$1.1 million. A total of 157 corporate income tax returns with claims have been received from January through September, totaling \$15.4 million in credit.

- The dollar amount of verified credits claimed in the preceding calendar month not used to offset income taxes under title 43, Arizona Revised Statutes.

For the period October 1 through October 31, 2001, the department issued 259 individual income tax refunds for alternative fuel related credits. There was \$4,930,449 in AFV credits on these 259 returns. After offsetting \$1,228,979 in liability, \$3,701,470 was refunded. The department issued 10

corporate refunds for alternative fuel related credits. There was \$349,971 in AFV credit on these 10 returns. After offsetting \$245,387 in liability, \$104,584 was refunded.

Combining the corporate and individual income tax return amounts results in \$3,806,054 that should be transferred from the Budget Stabilization Fund into the General Fund for October 2001. In last fiscal year, \$66,360,441 was paid from the Budget Stabilization Fund into the General Fund. In this fiscal year, \$12,952,404 is the total to be paid from the Budget Stabilization Fund, putting the overall total coming from the Budget Stabilization Fund for alternative fuel vehicle credits at \$79,312,845.

- The cumulative dollar amount of the credits claimed in all taxable years, beginning from and after December 31, 2000.

The cumulative dollar amount of credits (individual and corporate) claimed is \$112.4 million.

- Any estimated amounts remaining to be claimed as credits in each fiscal year.

Through October, 5,294 (corporate and individual) claims have been received. Those claims reviewed include 4,937 claims for 5,378 vehicles, 18 claims for refueling stations and 490 claims for refueling apparatus. (Claims that have not yet been reviewed are not included in this count.) While most returns for 2000 filers have been received, there may be additional claims made through late filers and amended returns. Also, according to grant applications, there are taxpayers who will first qualify for a credit on their 2001 tax returns.. At this time, the department has no independent means of estimating the amount yet to be claimed.

If you should have any questions, please contact Anthony Forschino at (602) 542-4672.

Very truly yours,
Mark W. Killian
Director

Arizona General Tax Procedure

GTP 01-3

Issuance of Private Taxpayer Rulings

(This procedure supersedes and rescinds GTP 99-1)

To provide Arizona taxpayers with all available knowledge relating to a specific tax situation, the Legislature in 1991 adopted a statutory provision which authorizes the issuance of private taxpayer rulings by the Department of Revenue. This legislation was intended to aid the taxpayer in making determinations of the taxability of unusual or complex transactions and thereby offer some protection from possible assessment at a later date. In 1994, the Legislature amended this statute to provide additional information to taxpayers in relation to private taxpayer rulings.

A private taxpayer ruling is often referred to as a letter ruling. This procedure is intended to explain some of the basic principles and answer often-asked questions in relation to the issuance of a private taxpayer ruling. Additionally, this procedure will discuss areas in which the department will not issue private taxpayer rulings and the reliance which may be placed on them by taxpayers and the department.

GENERAL INFORMATION:

A private taxpayer ruling is a written statement, issued by the Department of Revenue's Office of Tax Policy & Legal Support to a taxpayer or a potential taxpayer. A private taxpayer ruling may only be issued in response to a written inquiry by a taxpayer, a potential taxpayer or an authorized representative of a taxpayer or potential taxpayer. It interprets and applies the Arizona tax laws to a particular set of facts.

A private taxpayer ruling:

1. Gives advice to the taxpayer in the form of a specific tax determination based on the taxpayer's specific fact situation.
2. Is issued for a particular fact situation. A private taxpayer ruling does not apply to different fact situations of the requesting taxpayer nor to other taxpayers.
3. May not be relied upon by a taxpayer other

than the taxpayer who was issued the private taxpayer ruling.

4. Requested after July 17, 1994 will be open to public inspection after the department removes all information, which could identify the taxpayer, and any other parties involved in the activity or transaction. The department will delete the names, addresses and identifying numbers of the taxpayer and any other party to the transaction.

In addition, the department will delete any other information that would permit a person generally knowledgeable of the appropriate community to identify any person. The "appropriate community" is the group of persons who would be able to identify a particular person from the information regarding the transaction that is the subject of the ruling.

The appropriate community will vary according to the nature of the transaction. For example, if the transaction involves the purchase and installation of equipment which is particular to a certain industry, the "appropriate community" may include all persons engaged in business in that industry.

5. May be revoked or modified by the department if there is a change or clarification in the law that was applicable at the time the ruling was issued, including changes or clarifications caused by legislation, adopted administrative rules or court decisions; or if it was issued with erroneous advice. However, taxes, penalties or interest will not be assessed, even if the advice given by the department was erroneous. To avoid the assessment of taxes, penalties or interest in such cases, the information provided by the taxpayer must have been accurate and adequate given the facts of the request and the taxpayer or potential taxpayer must show that the taxpayer or potential taxpayer reasonably relied on the ruling.

The revocation or modification of a private taxpayer ruling may not be applied

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retroactively to tax periods or tax years before the effective date of the revocation or modification. If the department revokes or modifies a private taxpayer ruling, the taxpayer or potential taxpayer will be notified by mail to the last known address of the taxpayer or potential taxpayer.

Generally, a private taxpayer ruling will only be issued if no tax liability has accrued with respect to the transactions, events or facts contained in the request. A private taxpayer ruling, which addresses ongoing or continuing transactions, may be issued; however, such a ruling may only be applied prospectively. The department will issue a private taxpayer ruling for a prospective transaction that may occur; however, the department will not issue a private taxpayer ruling for anonymous taxpayers or for abstract hypothetical situations.

A private taxpayer ruling may be issued only if no tax has accrued with respect to the transactions, events or facts contained in the request. The department may issue a private taxpayer ruling addressing a taxpayer's ongoing business activities, except that the ruling applies only to transactions that occur or tax liabilities that accrue from and after the date the taxpayer receives the ruling. Arizona Revised Statutes (A.R.S.) § 42-2101(G). Issues related to transactions which have already been reported will normally be resolved through the audit process.

PROCEDURE FOR REQUESTING A PRIVATE TAXPAYER RULING:

A request for a private taxpayer ruling must include the following information:

1. The taxpayer's name and identification number with the signature of the taxpayer or the taxpayer's authorized representative. A request submitted by the taxpayer's representative must include proof that the person is an authorized agent of the taxpayer.
2. A detailed description of the

transaction including a complete statement of all facts relating to the transaction or series of transactions.

3. True and legible copies of all contracts, wills, deeds, agreements, and other documents pertinent to the transaction must be submitted with the request. Original documents should not be submitted because they become part of the department's files and will not be returned.
4. An analysis of the material facts included in the documents and their bearing on the issue or issues included in the request.
5. A statement regarding whether the issue or related issues are subject to an existing audit, protest, appeal or litigation concerning the taxpayer.
6. A statement regarding whether a request for a ruling on the identical issue has been or will be submitted to another taxing authority for a ruling.
7. If the taxpayer advocates a particular conclusion, the request must include an explanation of the grounds for the conclusion and the relevant authorities in support of the conclusion.
8. To assist the department in deleting private and confidential information from a ruling before it is available for public inspection, each request for a private taxpayer ruling must include a deletions statement. The statement of proposed deletions should be made in a separate document which accompanies the request for a private taxpayer ruling.

The text of private taxpayer rulings is open to public inspection under A.R.S. § 42-2101(I) subject to the provisions of A.R.S. Title 42, Chapter 2, Article 1. However, the text of private taxpayer rulings, as issued to the taxpayer, includes the name and address of the person requesting the ruling. In addition, private taxpayer rulings include an analysis of the information provided by the taxpayer in the request for a ruling. A private taxpayer ruling also includes information concerning the taxpayer's specific tax situation and the transaction which is the subject of the ruling. Releasing the text of private taxpayer rulings without deleting such information would violate

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the confidentiality requirements of A.R.S. Title 42, Chapter 2, Article 1.

To protect the confidentiality of the taxpayer and other parties to the transaction, the department must delete any information which could identify the taxpayer and other parties to the transaction before the ruling is made available for public inspection. In the statement of proposed deletions, the requesting taxpayer must either propose specific deletions or state that no information other than names, addresses and taxpayer identifying numbers need be deleted. The proposed deletions should be indicated by the use of brackets on a copy of the request for a private taxpayer ruling and supporting documents.

Additionally, the taxpayer may notify the department that it waives its confidentiality rights under A.R.S. Title 42, Chapter 2, Article 1. Such notification must be in writing and must delineate whether all rights are waived or specific confidentiality rights are waived.

When the department issues the private taxpayer ruling, a copy will be provided to the taxpayer. The copy will indicate which deletions which will be made before the ruling is made available for public inspection. If the taxpayer wishes additional material to be deleted from the text of the ruling prior to its being made available to the public, the taxpayer must submit to the department for review and approval a copy of the private taxpayer ruling, with the additional deletions noted, within 20 days of the date the ruling was issued.

Where to Send a Request for a Private Taxpayer Ruling

A request for a private taxpayer ruling should be sent to:
Office of Tax Policy & Legal Support
Arizona Department of Revenue
1600 West Monroe

Phoenix, AZ 85007

The department will acknowledge receipt of all requests for private taxpayer rulings. If a request does not comply with the requirements of A.R.S. § 42-2101 and this procedure, the department will inform the taxpayer, or the taxpayer's representative, in writing which requirements must be met.

A taxpayer may obtain information regarding the status of a private taxpayer ruling request by calling the person whose name and telephone number are shown on the letter acknowledging receipt of the request for the private taxpayer ruling.

The department shall attempt to issue private taxpayer rulings within 45 days after receiving the written request and on receiving the facts that are relevant to the ruling. If the ruling is expected to be delayed, the department shall notify the requestor of the delay and the proposed date of issuance. A.R.S. § 42-2101(H). A taxpayer who needs a request processed in an expeditious manner may request special handling. The request should be made in writing and explain the need for the special handling. However, the department cannot guarantee that a private taxpayer ruling can be processed by the time requested. Accordingly, taxpayers are encouraged to submit their requests well in advance of the transaction.

Withdrawal of Private Taxpayer Ruling Request

A request for a private taxpayer ruling may be withdrawn within 2 weeks of the date of the letter acknowledging receipt of the request. In order to expedite the initial private taxpayer ruling request, the request may contain a waiver of the option to withdraw. If a request is withdrawn, all correspondence and exhibits will be retained by the department.

Conferences

Conferences may be held at the discretion of the department to discuss the issues involved in the request for a private taxpayer ruling. The

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taxpayer or the taxpayer's representative may request a conference with the department either verbally or in writing.

AREAS IN WHICH THE DEPARTMENT WILL NOT ISSUE PRIVATE TAXPAYER RULINGS:

There are certain subject areas in which the department ordinarily will not issue private taxpayer rulings. Additionally, the department may decline to issue a ruling because of the factual nature of the problem involved or other reasons. When the department declines to issue a ruling it will issue an information letter to the taxpayer. Generally, the department will not issue a private taxpayer ruling if:

1. The taxpayer name or identifying number has not been provided.
2. The question involves an issue that is the subject of to an existing audit, appeal or protest with respect to the taxpayer requesting the ruling.
3. The question involves an issue which is currently being litigated in court or on appeal.
4. The request involves an area in which the IRS has announced that it will not issue advance rulings: this includes a request which involves alternative plans of proposed transactions or hypothetical situations.

5. The person requesting the private taxpayer ruling is a professional preparer or representative acting on behalf of a taxpayer and has not provided proof that the person is an authorized agent of the taxpayer.

6. The person requesting the private taxpayer ruling is a professional preparer or representative acting on behalf of a taxpayer and has not provided any legal analysis or conclusion with the request.

7. The issue concerns an area where state treatment relies on the federal law. In such a case the federal authority is the appropriate governmental entity from which to request information.

8. The question involves a fact intensive issue, such as whether a unitary business exists, whether a taxable nexus exists or the value of property on a certain date.

9. The private taxpayer ruling is requested by an industry, trade association or similar group on behalf of its members.

The department welcomes any request by an organization or an individual for a general ruling or procedure. See GTR 97-1 for more information regarding other documents issued by the Department of Revenue.

Mark W. Killian, Director

Signed: November 14, 2001

Ohio Tax Amnesty Program

On October 15th, the state of Ohio Tax Amnesty program began with a promise of benefit for everyone involved. For qualifying delinquent taxpayers, amnesty is a 'one time only' opportunity to pay off their tax debt while avoiding penalty and half of the interest owed. For the state, counties and many schools, amnesty offers a source of new money in tight times. Perhaps most important, for the millions of individual and business

taxpayers of Ohio, amnesty will increase the level of fairness in the tax system by attracting those who haven't been paying their fair share.

Those who have fallen behind on their taxes, should come forward and take advantage of amnesty. After it's over, Ohio will be stepping up it's enforcement and auditing efforts. Amnesty ends January 15, 2002.